

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

Tel. (603) 271-2431

FAX (603) 271-3878

TDD Access: Relay NH
1-800-735-2964

Website:
www.puc.nh.gov

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Thomas B. Getz

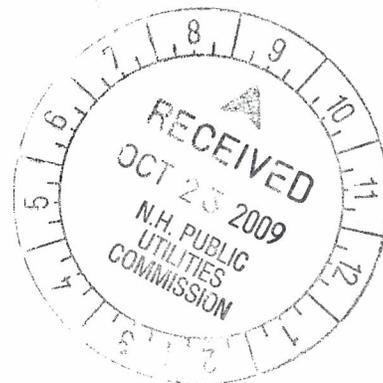
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October 23, 2009

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

Re: DW 07-105 Lakes Region Water Company, Inc. (LRWC)
Report of October 2, 2009 Monitoring Technical Session
Request to Continue Monitoring Phase of Docket



Dear Ms. Howland:

In accordance with Order No. 24,877, Staff and the parties held a technical session on October 2, 2009, to monitor progress on various issues as described below. Staff offers the following report of that meeting. Attendees to the meeting included Lakes Region Water Company, Inc. (LRWC), Staff, Office of the Consumer Advocate (OCA), Department of Environmental Services (DES), and Hidden Valley Homeowners Association.

2008 Annual Report

The meeting commenced with a discussion about when LRWC will be providing the remaining information required for its 2008 Annual Report. LRWC has filed a report, however, certain financial schedules have yet to be filed. LRWC's accountant stated that he is working on the schedules and that they should be filed soon.

Tamworth

As you may recall, LRWC used an unauthorized water source to supply water for a period of days in 2007 to its Tamworth system. LRWC agreed to plead guilty to the resulting charges in Carroll County Superior Court and LRWC was fined \$100,000 and was given three years over which to pay the fine. LRWC reported that it is considering its options for paying the fine but that it had not yet decided on which option to take.

LRWC reported that a civil suit has been filed over the Tamworth incident and that it is defending itself.

Tamworth customers had a water shortage two weeks ago due to two major leaks. LRWC had to truck in bulk water. DES stated that LRWC addressed the leak and that importantly, there was no suction back into the system and thus no bacterial concern.

Continued Monitoring

Order No. 24,887 contemplated a two-year monitoring phase for this docket. Staff and the parties have found the monitoring meetings to be helpful and request that the meetings continue through the summer. DES stated that many of the shortcomings that initiated this docket have been addressed. The meetings keep the information flowing. OCA stated that while LRWC has focused more on the operational side of the water company, LRWC has struggled in the past with the administrative aspect of the water company. It agreed that the monitoring meetings have improved the administrative operations of the company. Staff stated that now that the Tamworth enforcement action and the financing docket, Docket No. DW 08-070, are resolved, the remaining issue to be resolved is whether LRWC possesses the requisite managerial, technical, and financial capabilities to operate a water system. Staff stated that it could benefit from additional monitoring meetings before making its recommendation on that issue.

Paradise Shores

Source of supply is an issue at this system. LRWC is interviewing consultants who would prepare LRWC's large groundwater withdrawal permit application to DES. LRWC stated that this is the first summer its new storage tank has been on line and LRWC is feeling more comfortable with the water supply needs of this system. By way of example, LRWC stated that the new storage tank is full when it has 130 inches of water and that over the summer, the tank never went below 100 inches. LRWC did not have a firm date by which its application would be in to DES. LRWC stated that it plans to pick a consulting engineer by mid-October and that it will have its preliminary application in to DES by the end of the year. That way, pump tests could be done by July 9, 2010. Because the ownership of the proposed well field property is held by LRWC's stockholders personally and not by LRWC, LRWC will need to acquire the necessary interests in the property to secure access to the wells. On June 1, 2009, DES issued a moratorium on new connections. LRWC sought and received prior approval for temporary use of the wells for Memorial Day and July 4th but reports that it never needed to use them but stated that at least the administrative paperwork was in place in case it did need to use the wells.

As to the completeness of the storage tank, LRWC stated that the roof membrane and landscaping has not been addressed. LRWC plans to address these remaining construction issues this winter.

Indian Mound

LRWC experienced an unexpected leak in its pressure tank at Indian Mound. It stated that the tank was built in 1971 and that it knew that the tank would need to be replaced. Because of the leak the project is now a priority. LRWC stated that it will need to replace the electrical

elements of the pump station as well as the wood structure. It stated that the roof is deteriorated. LRWC expects to complete the work by the first of the year. Most of work is inside work and the temporary system is working well.

Rate Case

LRWC has filed its Notice of Intent to file its rate schedules.

White Mountain Resort/Gateway

Work is complete and has been inspected and approved by DES. LRWC still needs to submit as-built plans for the pump house and also needs to demonstrate that use at the system is so low that the system does not need a second well.

Hidden Valley

DES reported that there is nothing outstanding to be done at this system. LRWC noted that it has patch work to do on one road. The homeowners association stated that management under Tom Mason (Jr.) is different than under Tom Mason (Sr.) and that it is pleased with Tom Mason Jr. He is agreeable, however, the association remains concerned with his follow through. For example, the association stated that Tom had said a road would be fixed and it is still not fixed. The association agreed that the monitoring meetings of this docket should continue and it feels the meetings have helped LRWC meet its obligations.

Gunstock Glen

Gunstock Glen and Brake Hill are still connected, however, LRWC is still working on the pump station on the Brake Hill side of the system. LRWC expects work to take an additional month to complete. LRWC will file for its step increase to rates after it completes this work.

Far Echo

Far Echo is served by a circa 1969 well which is located 14 feet from lake on a beach. This water source has been rebuilt several times in place and now it is a question of whether the well is influenced by the lake. This water source is the system's primary well. LRWC expects to need to undertake a capital improvement project to replace the system's water source. There was discussion about the system having a groundwater well that could be brought back on line. DES has offered assistance to do sampling for this project and LRWC will pick up transportation fees. LRWC stated that due to the fact that the well is on a beach, it expects to need to buy nearby property and drill a well on it. LRWC stated that alternatively, it could treat the water but that the cost would be high to customers. Last year, the filtration trench froze so the system was without water. LRWC states that water use by the 80 homes is very low. DES stated that the state has 8 water supply systems like Far Echo and that it is trying to work with the systems to find more suitable alternative water sources.

Personnel

There have been no changes in personnel to report

Permits to Operate

LRWC has all the permits to operate that it needs. All fees for the permits have been paid. All lab fees have been paid.

Deer Cove

LRWC has been in contact with DES concerning outstanding deficiencies. A screen needs to be installed on the atmospheric tank which LRWC states is a minor deficiency which will be done quickly.

American Recovery and Reinvestment Act of 2009

LRWC will be participating in a meeting with DES this afternoon to discuss whether additional documentation is necessary to process the application. LRWC offered to notify parties of the results of the meeting via email.

Next Meeting

Staff and the parties propose that the next quarterly meeting be held after the prehearing conference/technical session that is expected to be scheduled for LRWC's rate case in mid December 2009, at the Commission.

This is the extent of the issues discussed at the technical monitoring session. If you have any questions or comments, please feel free to reach me or Mark A. Naylor, Director of the Gas & Water Division.

Sincerely,



Marcia A. B. Thunberg
Staff Attorney/Hearings Examiner

cc: Service List

TED NEWMAN JR
PO BOX 997
WOLFEBORO FALLS NH 03896

NORMAN ROBERGE
1207 GORHAM POND RD
DUNBARTON NH 03045

DAVID M SMITH
HIDDEN VALLEY PROPERTY OWNERS
36 HIDDEN VALLEY DR
CTR TUFTONBORO NH 03816

BARBARA MASON
LAKES REGION WATER COMPANY IN
PO BOX 389
MOULTONBORO NH 03254

TOM MASON
LAKES REGION WATER COMPANY IN
PO BOX 389
MOULTONBORO NH 03254

DOUGLAS L PATCH
ORR & RENO PA
1 EAGLE SQ
PO BOX 3550
CONCORD NH 03302-3550

DANIEL MULLEN
RANSMEIER & SPELLMAN PC
ONE CAPITOL ST
PO BOX 600
CONCORD NH 03302-0600

STEPHEN P ST CYR
STEPHEN P ST CYR & ASSOC
17 SKY OAKS DR
BIDDEFORD ME 04005

STEPHEN R ECKBERG
OFFICE OF CONSUMER ADVOCATE
21 SOUTH FRUIT ST STE 18
CONCORD NH 03301

DAVID M SMITH
HIDDEN VALLEY PROPERTY OWNERS
36 HIDDEN VALLEY DR
CTR TUFTONBORO NH 03816

MEREDITH A HATFIELD
OFFICE OF CONSUMER ADVOCATE
21 SOUTH FRUIT ST STE 18
CONCORD NH 03301

STEPHEN P ST CYR
STEPHEN P ST CYR & ASSOC
17 SKY OAKS DR
BIDDEFORD ME 04005

BARBARA MASON
LAKES REGION WATER COMPANY IN
PO BOX 389
MOULTONBORO NH 03254

KEN E TRAUM
OFFICE OF CONSUMER ADVOCATE
21 SOUTH FRUIT ST STE 18
CONCORD NH 03301-2429

TOM MASON
LAKES REGION WATER COMPANY IN
PO BOX 389
MOULTONBORO NH 03254

DANIEL MULLEN
RANSMEIER & SPELLMAN PC
ONE CAPITOL ST
PO BOX 600
CONCORD NH 03302-0600

TED NEWMAN JR
PO BOX 997
WOLFEBORO FALLS NH 03896

DOUGLAS L PATCH
ORR & RENO PA
1 EAGLE SQ
PO BOX 3550
CONCORD NH 03302-3550

NORMAN ROBERGE
1207 GORHAM POND RD
DUNBARTON NH 03045

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DEBRA A HOWLAND
EXEC DIRECTOR & SECRETARY
NHPUC
21 SOUTH FRUIT STREET, SUITE 10
CONCORD NH 03301-2429

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CONCORD NH 03301-2429

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DOUG BROGAN
NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429

MARK NAYLOR
NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429

MARCIA THUNBERG
NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429

AMANDA NOONAN
CONSUMER AFFAIRS DIRECTOR
NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429